



# Kentucky Economic Development Finance Authority (KEDFA) Kentucky Economic Opportunity Zone Act (KEOZ)

*This fact sheet provides an overview of the KEOZ program. For a full discussion of the program requirements, please see KRS 154.23-005 through 154.23-079. As with all state administered tax incentive programs, any inducements offered to an eligible company under the KEOZ program are negotiated by Cabinet for Economic Development officials.*

The Kentucky Economic Opportunity Zone Act (KEOZ) focuses on development of areas with high unemployment and poverty levels. An application for zone certification may be submitted to KEDFA by a county, urban-county government, or city of the first class. Only one zone may be certified per county.

## **Zone Certification**

- Zones may consist of 1 to 5 contiguous census tracts.
- Each census tract shall independently meet each of the following criteria as verified by the Department for Employment Services:
- Minimum total poverty rate of 150% of the U.S. poverty rate as determined by the most recent decennial census;
- Unemployment rate that exceeds the statewide rate as determined on the basis of the most recent decennial census;
- Minimum population density of 200% of the average Kentucky census tract population density as determined by the most recent decennial census.

## **Project Requirements**

Once a zone has been certified by KEDFA, eligible manufacturing or service/technology companies within the zone apply to KEDFA for preliminary approval. The company must demonstrate:

- Minimum company investment of \$100,000 in the project.
- Creation of a minimum of 10 new full-time jobs at the project site for “qualified employees.” Qualified employees are those employees who are subject to Kentucky income tax and have resided in the zone for at least 12 consecutive months preceding full time employment with the approved company.
- No significant number of existing jobs within the Commonwealth will be lost or adversely affected due to the EOZ project.
- The project would locate outside the zone if not for the inducements.

Companies participating in the program are required to compensate at least 90 percent of its employees whose jobs were created as a result of the project with a minimum hourly wage established for the county in which the project locates. Companies must also provide its new employees with benefits equal to at least 15% of the county minimum hourly wage. If employee benefits are less than 15%, a company may utilize a combination of wages and employee benefits equivalent to 115 percent of the county minimum hourly wage.



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Additional KEOZ requirements vary between manufacturing and service and technology projects as follows:

### **Manufacturing Companies**

- Approved manufacturing project costs include land, building, fixtures, and equipment.
- The term of the agreement shall be no longer than 10 years.
- The activation date shall be established by the company and shall be within a 2 year period after the date of final approval.

### **Service and Technology Companies**

- Approved service and technology project costs include up to 50% of the company's start up costs (limited to a maximum of \$20,000 per new full time job of which 50% can be recouped through the program) and up to 50% of the annualized rent
- The term of the agreement shall be no longer than 10 years.
- The activation date shall be established by the company and shall be within a 2 year period after the date of final approval.

### **Available Inducements**

The approved manufacturing or service/technology company may be permitted, subject to negotiations with the Cabinet for Economic Development, the following inducements during the term of the agreement:

- An income tax credit of up to 100% of the Kentucky income tax liability on income generated by or arising out of the project; and
- The approved company may require each qualified statewide employee, as condition of employment, to agree to pay a "job development assessment fee" not to exceed 5% of gross wages – with a 1% contribution from local government and up to 4% contribution from the state. Each qualified employee required to pay the assessment shall be entitled to credit against required Kentucky income tax withheld from gross wages up to 4% and credit against local occupational license fees in the form of a simultaneous adjustment not to exceed 1% of gross wages.
- If the total number of qualified employees at the project is less than ten, the authorized inducements shall be suspended until at least ten full time qualified employees are employed by the approved company.
- Expanding manufacturing or service/technology companies shall create and maintain at least 10 new full time jobs at the project site.

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